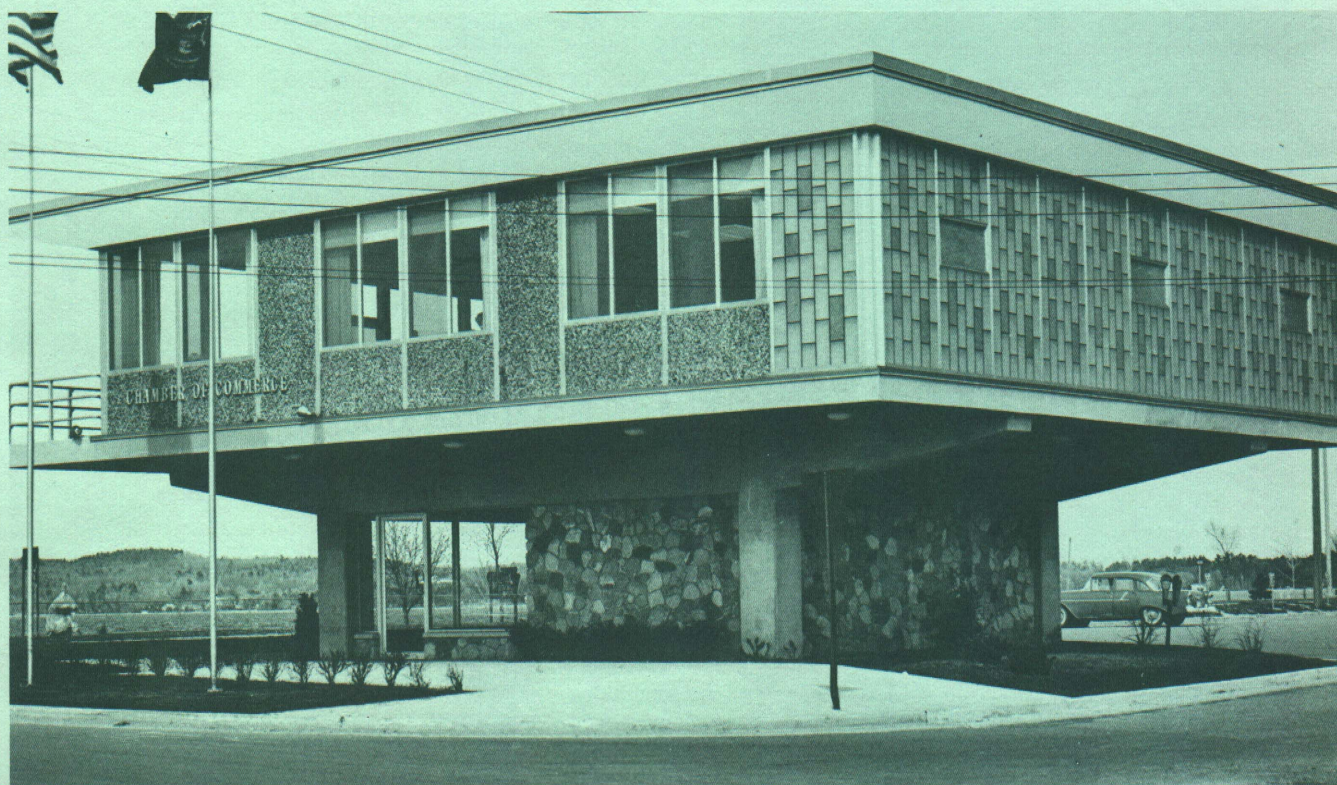


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June 1979

# Tourism and Your Community



Cooperative Extension Service  
Michigan State University





# TOURISM and YOUR COMMUNITY

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Cover photos: Traverse City Chamber of Commerce,  
Michigan Department of State Highways.

By Robert W. McIntosh, Extension Specialist Tourism and Recreation School of Hotel, Restaurant, and Institutional Management

Tourism helps a community become more attractive and prosperous — more attractive, because a community must be appealing to draw and satisfy visitors; more prosperous, because these visitors spend money.

Visitors who enjoy and appreciate your community are likely to spend more money, come back again (perhaps often), and recommend it to their friends. As a tourist center becomes more popular, word spreads fast to create a reputation as an attractive, hospitable, and satisfying place to visit or spend a vacation.

Prospects are very favorable for further growth of tourism in Michigan. Communities which most completely prepare for tourists will benefit most.

## BENEFIT TO THE COMMUNITY

Tourism is the science and business of attracting visitors, accommodating and serving them. Like any business or industry, it needs the moral and financial support of the entire community. Although certain businesses receive the bulk of the tourist dollar — motels, hotels, resorts, restaurants, gift shops, retail stores, tourist attractions, gasoline stations and transportation companies — secondary businesses also benefit.

This latter group includes construction firms, laundries, food and other types of wholesalers and suppliers, public utilities, entertainment places and local services — barbers, hairdressers, printers, photographers, even doctors and dentists. Thus, every one in the community eventually benefits financially, either directly or indirectly.

All levels of government benefit from tourist tax dollars. Examples of taxes he may pay are sales, use, gasoline, cigarette, liquor, and entertainment. The tourist as a consumer helps pay real estate, business, and income taxes since these are paid by the business firms from customer revenues.

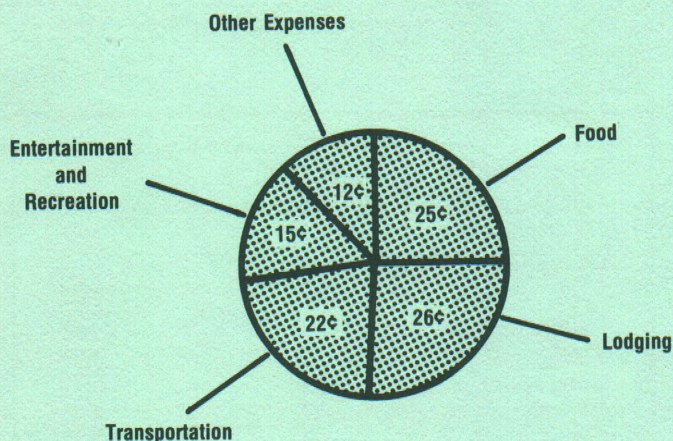
According to recent estimates, two travelers in Michigan spend about \$50 to \$60 per day on lodging, meals, recreation, sightseeing, and shopping. By attracting 100 additional visitors per day for a year, an established tourist area would gain about 100 new, part or full-time jobs, \$960,000 in personal income, \$192,000 in bank deposits, and tax money to pay for the education of 42 children for one year.

The average amount spent per person-trip in the United States is \$88.92 according to a recent nationwide survey of 24,000 households.



## TOURIST DOLLAR DISTRIBUTION

American Automobile Association surveys show that the typical automobile traveler's dollar is spent as follows:



Note that a considerable share of the tourist dollar goes to business other than lodging and food services.

## THE TOURIST DOLLAR MULTIPLIER

Dr. Maynard Keynes, the English Economist (1883-1946) was the first to expound on the "multiplier" and "rippling" effect of additional inputs of money into a community. This phenomenon also occurs with tourist spending. According to Keynes, "marginal inputs" (money spent which would not otherwise have entered the economic stream of the community), produces a multiplying effect above and over the original amounts spent. This expanded income effect occurs because the amounts initially spent are re-spent a number of times during the course of the year. After one year, this effect is usually dissipated. The more often the dollar "turns over" in a year, the higher the multiplier. The higher the multiplier, the more beneficial is the economic effect on the community. Thus, the more goods and services provided for the traveler, the greater the economic benefits for the community. The longer the traveler is induced to stay (even a half a day longer makes a difference), the greater the expenditures and the multiplier effect.

Offsetting the multiplier effect are counter-forces, such as money saved (taken out of circulation), and money which leaves the community for imported goods and services. Examples of such "leakages" are (1) bank deposits which are not loaned within a year, and, (2) a restaurant's purchase of French champagne. Both of these leakages have the same effect of

reducing the multiplier, because the money spent by the tourist is subsequently removed from circulation within the community.

The American economist, Dr. Paul Samuelson, has expressed these relationships in a series of formulas:

Where **M** = **marginal** (extra)  
**P** = **propensity** (inclination)  
**C** = **consume** (spending)  
**S** = **savings** (money out of circulation)

MPC denotes one's inclination to spend additional income for consumptive goods. For example, if you receive a \$1,000 bonus, and spend \$500 of this (for goods and services) your MPC would be one-half.

If an extra (marginal, \$1,000) were spent by tourists in a community, utilizing unused labor and material resources, and if the primary recipients of these monies all have an MPC of one-half, the recipients will spend \$500 on new goods and services. Those in the community who produce these goods and services will now have an extra income of \$500, or one-half of the amount originally spent by the tourists. Let's assume these secondary producers also have a marginal propensity to consume of one-half. Since they have only \$500 to start with, their spending is \$250. Each subsequent round of spending, from the initial amount would be thus: \$1,000 + \$500 + \$250 + 125 + \$62.50 + \$31.25 + 15.63 + \$7.81 + \$3.90 . . . = \$1,999.99 or \$2,000 (rounded). Thus, with an MPC of one-half, the multiplier is two, made up of the original spending of the \$1,000, plus the additional \$1,000 of secondary consumption re-spending.

Using the same financial analysis method, an MPC of two thirds, would result in a multiplier of three. If the MPC is three-fourths, the multiplier is four. The extent of the multiplier depends upon the characteristic of the MPC, or, stated another way, upon the marginal propensity to save (MPS). If the MPC is two-thirds, then the MPS is one-third and the multiplier is three, or, the reciprocal (inverse) of the MPS. The formulas are:

$$\text{Multiplier} = \frac{1}{\text{MPS}}$$

$$\text{Multiplier} = \frac{M}{1-\text{MPC}}$$

The greater the extra re-spending of the tourist's dollar in the community, the greater the multiplier and consequent economic benefits. Likewise, the more "leakage" into purchases from outside the community, and savings (not loaned to another spender), the smaller the multiplier.

In these illustrations, a multiplier of two means that



every extra (marginal) dollar received into the community through tourism produces an income of twice the amount originally spent during the following year. For example, if \$500,000 were actually spent by tourists in one year, and the multiplier is two, the actual economic impact from tourism would be \$1 million. Such estimates are only approximates, and ignore what might happen economically within the community during the year. Changes in buying procedures may occur and more of this income may be spent outside the community.

There are two other multipliers which result from tourist spending. These are the **employment multiplier** and the **transactions multiplier**. In areas where unemployment exists, increased tourist spending can bring about a total increase in employment, which we term the employment multiplier. Increasing tourist expenditures also brings about an increased number of transactions — the spending and respending of funds originally spent by visitors. This concept is illustrated in Chart I. Each round of new expenditure can bring idle resources into use, creating new production (mainly of services) and employment.

According to a recent survey by the Travel Bureau, Michigan Department of Commerce, annual direct expenditures for travel and tourism in Michigan are \$4.7 billion. And, since every \$1 spent generates another 78 cents in the economy through the multiplier effect, add \$3.6 billion. That makes the total overall impact of travel and tourism in Michigan (including convention and business-type meetings) \$8.3 billion. In addition, travel and tourism generate \$157.4 million in state tax revenues annually.

Employment generated by travel and tourism in Michigan accounts directly for about 143,800 jobs; indirectly, another 69,000 jobs. This amounts to 212,800 jobs according to recent Travel Bureau figures.

The effect of the economic multiplier, that is, the jobs created as those directly employed spend incomes on food, clothing, shelter, and other necessities and non-essentials, and the total number of jobs generated by travel, adds something like 250,000 jobs. In other words, the removal of domestic travel from the Michigan economy, with no replacement by another industry, would cost the state about 250,000 jobs, averaged annually, or a peak of 375,000 summer jobs and a low of 175,000 winter jobs.

## TRACING TOURIST DOLLARS

To illustrate the economic impact of tourist dollars on any community, let's examine the spending flow of \$100 received by a motel proprietor for a group of guest rooms. He spends this amount approximately as follows: (according to nationally publicized averages)

Salaries and wages	\$25.08
Laundry and dry cleaning	2.50
Linen purchases	1.39
Cleaning and other supplies	3.05
Advertising and sales promotion	3.21
Telephone	2.78
Travel and automotive expense	1.52
Fuel, water, electricity	6.19
Repairs and maintenance	4.11
Other operating expenses	<u>4.15</u>
<b>Total operating items</b>	<b>\$53.98</b>
Licenses and taxes	6.70
Insurance	1.94
Interest	10.72
Depreciation	<u>12.21</u>
<b>Total Capital items</b>	<b>\$31.57</b>
<b>NET PROFIT</b>	<b>\$14.45</b>

In the course of a year, tourist dollars permeate the entire community, becoming income to virtually everyone and assisting in tax collections for all levels of government.

Similar patterns of expenditures are also made by other businesses serving the tourist, such as restaurants, gift shops, service stations and others.

## PLANNING FOR TOURISM

Benefits from tourism don't "just happen." Investments of talent, time, capital and operating funds, community spirit and determination are required to make tourism a significant part of a community's economic life.

Probably the biggest single deterrent to tourism development is lack of appreciation and enthusiasm from civic and business leaders. When tourism is not understood, and its benefits unclear, proper planning and implementation of measures to improve the industry are often lacking or poorly attempted.



# CHART I

## HOW VISITOR SPENDING FLOWS INTO THE ECONOMY

VISITORS SPEND FOR	TRAVEL INDUSTRY SPENDS FOR	ULTIMATE BENEFICIARIES
LODGING	WAGES AND SALARIES TIPS--GRATUITIES	ACCOUNTANTS ADVERTISING AND PUBLIC RELATIONS APPLIANCE STORES ARCHITECTS ARTS AND CRAFTS PRODUCERS ATTORNEYS AUTOMOBILE AGENCIES BAKERS BANKS BEACH ACCESSORIES BUTCHERS CARPENTERS CASHIERS CHARITIES CHEMISTS CLERKS CLOTHING STORES CLUBS CONFECTIONERS CONTRACTORS COOKS CULTURAL ORGANIZATIONS DAIRIES DENTISTS DEPARTMENT STORES DOCTORS DRY CLEANING ESTABLISHMENTS ELECTRICIANS ENGINEERS FARMERS FISHERMEN FREIGHT FORWARDERS GARAGES AND AUTO REPAIRS GARDENERS GIFT SHOPS GOVERNMENT EDUCATION HEALTH ROADS & RAILROADS UTILITIES DEVELOPMENT & OTHERS
FOOD	PAYROLL TAXES COMMISSIONS	GREENGROCERS GROCERY STORES FINANCIERS FURNITURE STORES IMPORTERS INSURANCE AGENCIES LANDLORDS LAUNDRIES MANUFACTURING AGENTS MANAGERS MOTION PICTURE THEATERS NEWSPAPERS, RADIO, ETC. NIGHTCLUBS OFFICE EQUIPMENT SUPPLIERS PAINTERS PASTORALISTS PETROL STATIONS PLUMBERS PORTERS PRINTERS--SIGN PAINTERS PUBLISHERS REAL ESTATE BROKERS & DEVELOPERS RESORTS RESTAURANTS ROOM MAIDS SHAREHOLDERS SPORTING EVENTS TRANSPORTATION TRAVEL BROKERS TAXI--HIRE CAR SERVICES UNIONS WHOLESALE ESTABLISHMENTS
BEVERAGES	MUSIC & ENTERTAINMENT ADMINISTRATIVE AND GENERAL EXPENSES	
ENTERTAINMENT	LEGAL AND PROFESSIONAL SERVICES PURCHASES OF FOOD, BEVERAGES, ETC.	
CLOTHING, ETC.	PURCHASES OF GOODS SOLD PURCHASES OF MATERIALS AND SUPPLIES	
GIFTS AND SOUVENIRS	REPAIRS AND MAINTENANCE ADVERTISING, PROMOTION AND PUBLICITY	
PHOTOGRAPHY	UTILITIES--ELECTRIC, GAS, WATER, ETC. TRANSPORTATION	
PERSONAL CARE DRUGS AND COSMETICS	LICENSES INSURANCE PREMIUMS	
INTERNAL TRANSPORTATION	RENTAL OF PREMISES AND EQUIPMENT INTEREST AND PRINCIPAL PAYMENTS ON BORROWED FUNDS	
TOURS AND SIGHTSEEING	INCOME AND OTHER TAXES REPLACEMENT OF CAPITAL ASSETS	
MISCELLANEOUS	RETURN TO INVESTORS	

Source: Harris, Kerr, Forster & Co., Belt Collins & Associates, 1970



Tourism is similar to many other industries—it needs a harmonious environment conducive to growth. The most feasible way to create such an environment is through planning. Tourism should be included in a Master Plan for the community, along with other sectors, such as agriculture, forestry, mining, fishing, manufacturing, retailing, wholesaling, service industries, and government. Tourism includes planning for recreational developments—parks, golf courses, marinas, docks, shopping, entertainment and information centers.

## ENVIRONMENTAL CONTROLS

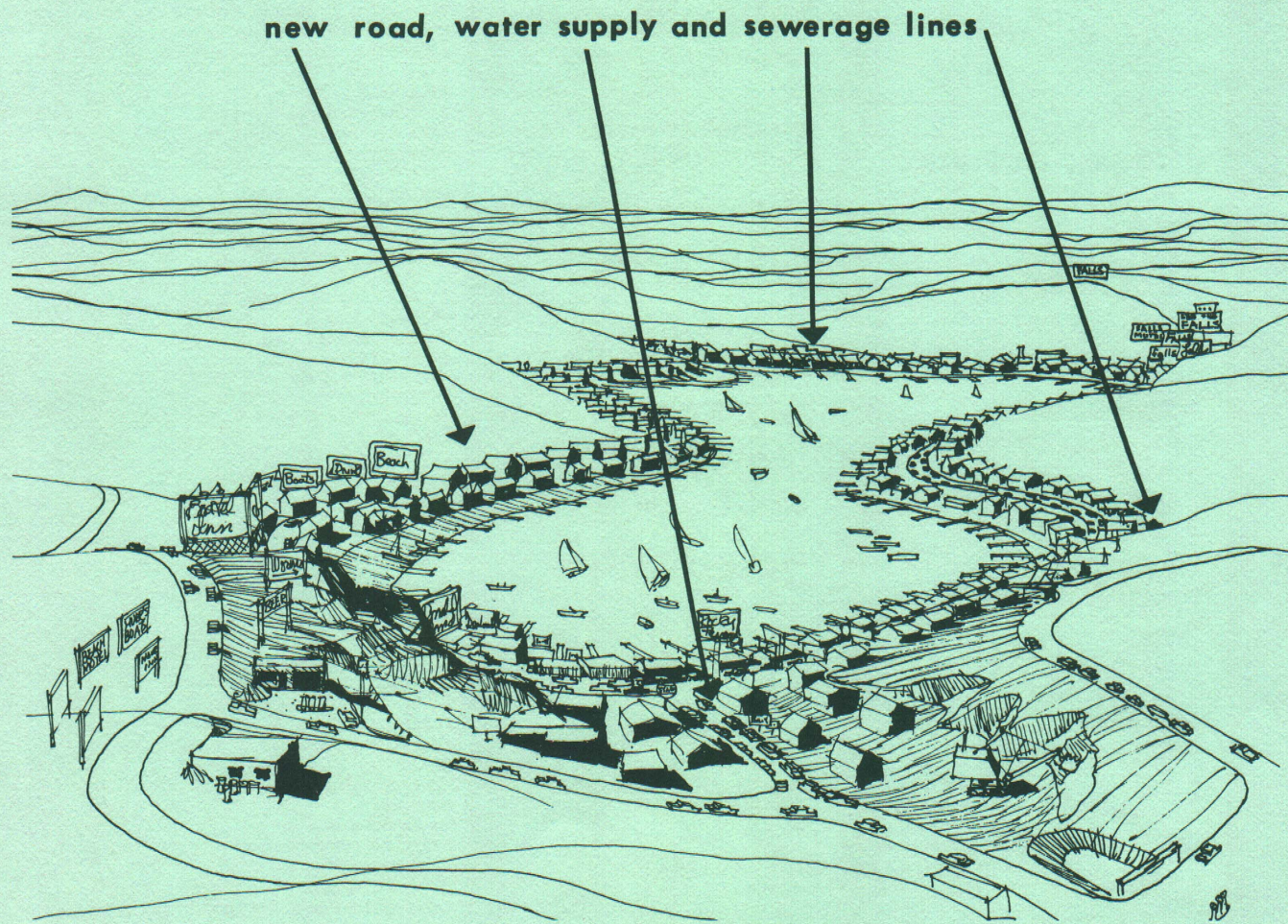
For successful tourism, enlightened regulations must be formulated and enforced to control and eliminate air, water, soil, and noise pollution. Spacing of buildings, provisions for open spaces, parks and greenbelts are typical provisions needed for tourist areas.

## Zoning

Zoning provides for compatible land use. Logical, attractive arrangement of land uses, conducive to tourism, are as important as good hotels and fine beaches. Commercial zoning must allow for motels, hotels, resorts, recreational vehicle parks, campgrounds, and other visitor accommodations. A well conceived, precisely written and enforceable zoning plan will provide the community with comprehensive land-use guidelines that include tourism. In brief, zoning should consider all the needs and interests of the community.

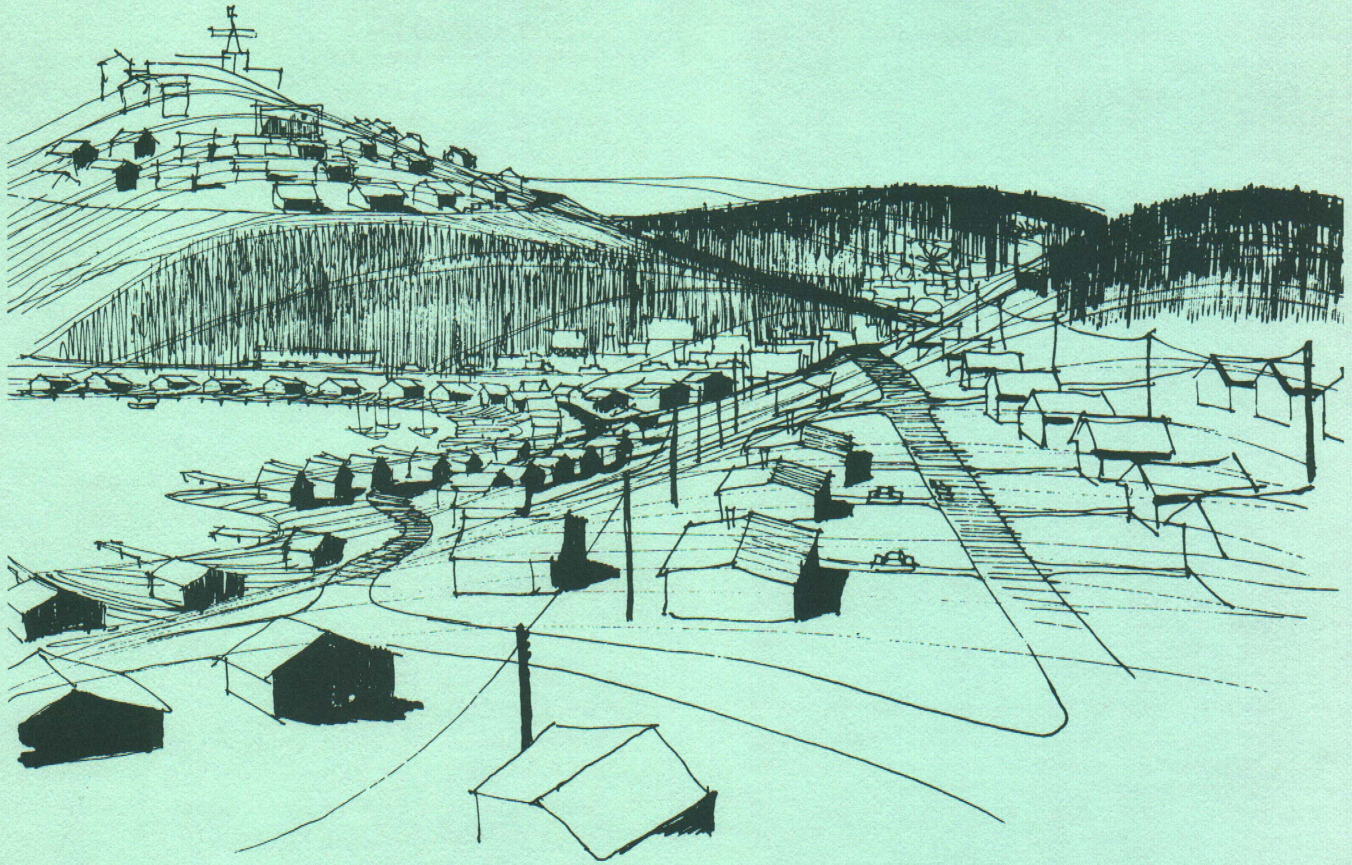
## Building Codes

Building codes are also essential for successful tourism. **How** buildings are constructed is just as important as **where** they are located. Quality and appeal of tourist accommodations strongly affect the comfort, safety, and satisfaction of visitors.



Complete accessibility can lead to overdevelopment.





**Overdevelopment means loss of natural resource values.**

### **Responsibility and Leadership**

Government leaders at all levels are responsible for recognizing zoning and building code needs. They must also take other appropriate action to safeguard the resources of the community which make tourism possible. A major motivation for travel is enjoyment of a serene, beautiful, and unspoiled environment. If this environment becomes less attractive due to clashing land uses and other obvious deteriorations, the tourist will go elsewhere. Thus, if tourism is to become a sustaining element in the community's economy, forward-looking plans and legislation are necessary to safeguard and enhance the community's natural and cultural resources.

To achieve the best possible plan, an advisory committee of tourist business people should work with government officials. Expert consultants are often necessary.

The ultimate objectives of the tourism plan must be firmly kept in mind. How and when these are to be accomplished is part of the plan.

### **ORGANIZING FOR TOURISM**

After planning has been completed (modifications of the plan are likely to be made continually), community leaders must then determine exactly what activities are required to accomplish the objectives. Once these activities have been identified (e.g., printing and distributing a first-class tourism brochure), the planning body must group these activities into workable units. Roles, activities, objectives, and authority-responsibility relationships must be structured, and pertinent information continually reviewed.

The most logical organization for tourism development and promotion is the community or area chamber of commerce (sometimes referred to as board of commerce). Many chambers of commerce have a tourism or resort division. Major responsibilities of this organization are community growth, improvement, and economic development. As an element in the prosperity of the community, tourism is a responsibility of the chamber of commerce.



If there is no chamber, a county or city tourism organization could be established. In either case, committees should be established for 1) Research and Development; 2) Promotion; 3) Education, and 4) Executive.

### Research and Development Committee

This committee is responsible for investigating tourism trends and relating them to the facilities and services which the community offers or should offer.

It should collect, evaluate, and disseminate market information (e.g. identify new marketing opportunities and discover new approaches to the market).

Here are some typical research problems that this committee should explore:

- Where is the market and what is its potential?
- What segment of the market could be served that isn't now?
- What is the present or potential breakdown of the tourist dollar?
- How does tourism increase real estate values?
- What new services and facilities are needed?
- How does tourism affect:
  - gasoline and auto repair services?
  - agriculture, food stores, and restaurants?
  - other retail stores?
  - the job market?

- professional people?
- the entertainment business?
- the sports business?

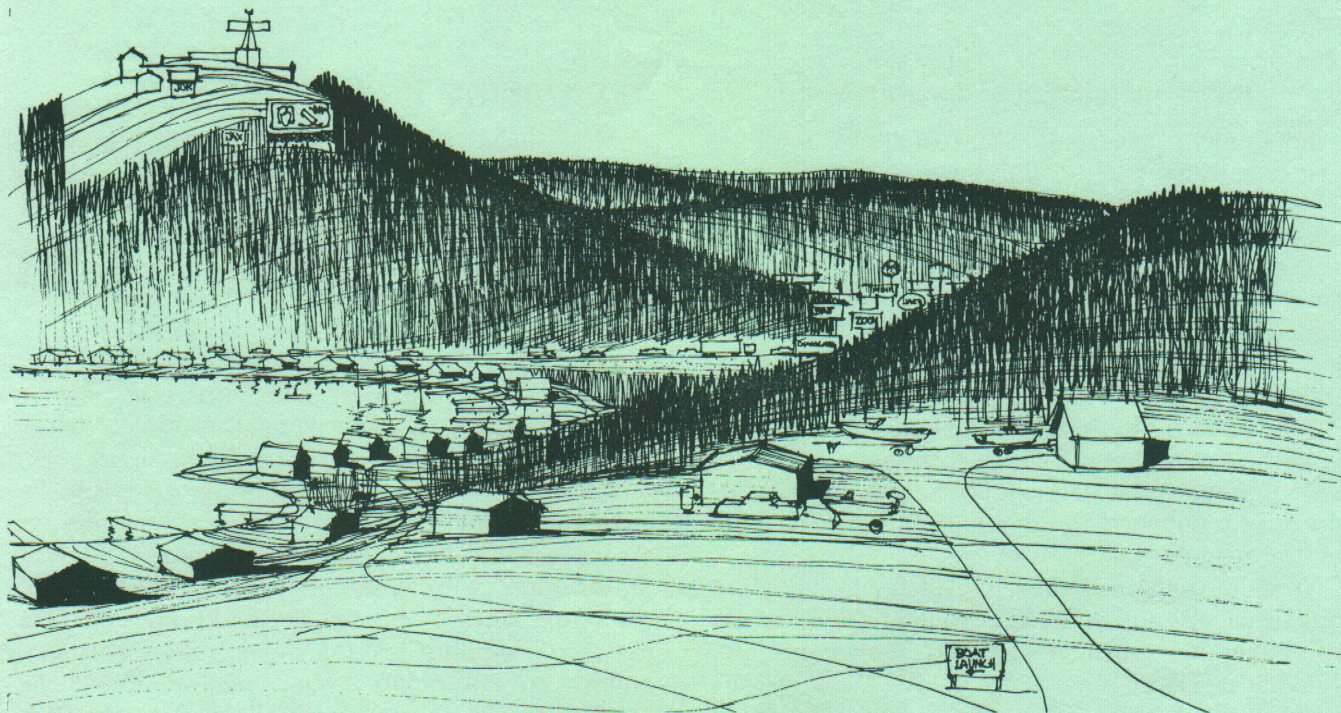
The Research and Development Committee should recommend specific projects needed to reach its goals. Such recommendations often become the basis for action for the other two committees.

Research methods might include review of marketing news and data or field trips to other tourist destination areas to observe trends in the various components of tourism. ("Components of tourism" refers to accommodations, shopping, transportation, entertainment, tourist activities, and promotional methods, etc.)

### MAKING A COMMUNITY SURVEY

The Research and Development committee should also make a "community survey of tourism." The purposes of this survey are to: (a) measure the impact of tourist spending on the economy of the community, and (b) determine the travel habits and characteristics of present and potential visitors.

This information, when analyzed in conjunction with other surveys, makes it possible to evaluate the economic importance of tourism to the area and provide data that can be used to attract more tourists.



Unplanned shoreline development often cuts off development to adjacent areas.



### Basic Assumptions

- Sales in any tourist area come from three major sources: permanent residents, temporary residents and transients.

- Present economic importance of tourism can be estimated through a pre-arranged sampling of buyers outside selected stores. (Spending by temporary residents and transients is separated from that of permanent residents.)

- Merchants must be willing to provide their sales slips or other evidence of total sales each day.

- There must be clearly defined exit and entry points to your community, for accurate traffic counts.

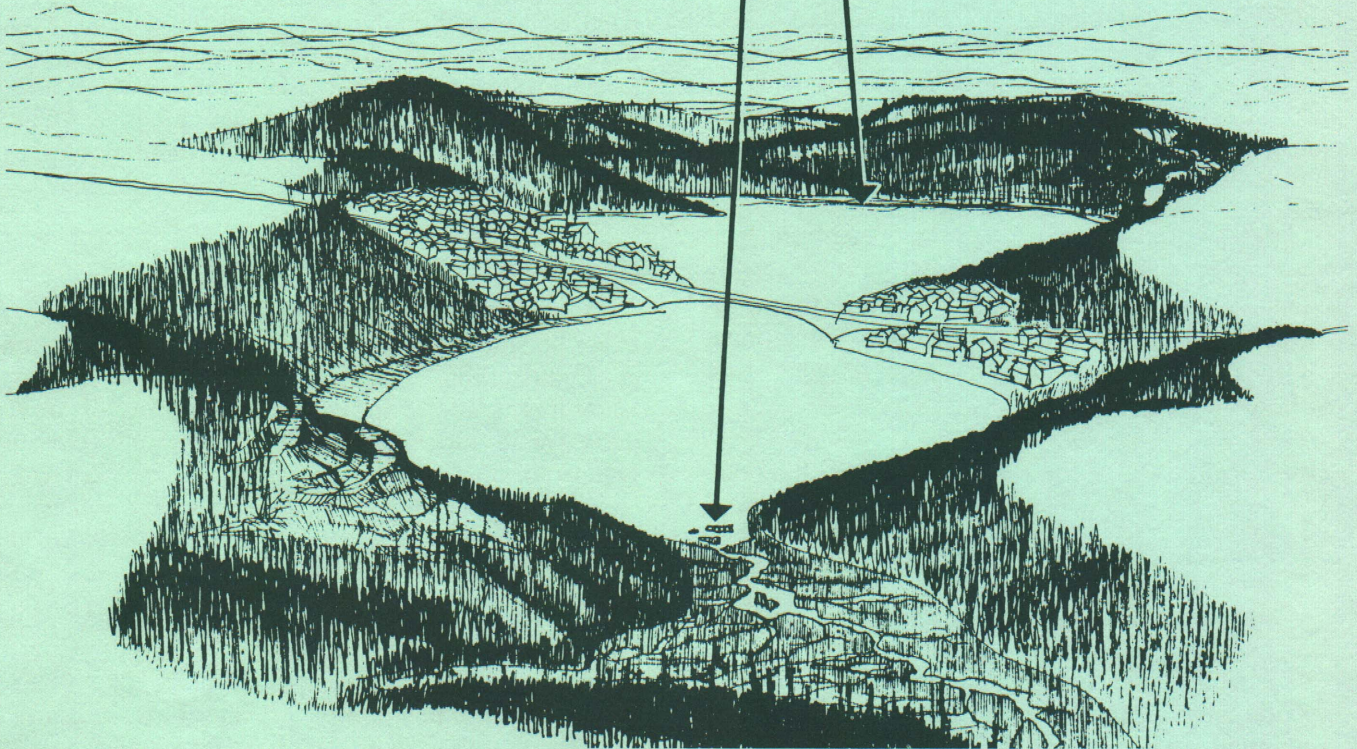
After the data on the amount of purchases and characteristics of the visitors are collected, the results are tabulated. Now, it is possible to arrive at an estimate of the amount of nonresident spend-

ing in the area during the survey week. The tabulation can be quite involved, depending upon the variety of questions asked. The count of travelers entering the community must be complete for at least one week and for another week in the off-season, for comparison.

These surveys should yield the following:

- 1) approximate amount and percentage of non-resident spending, and its initial economic impact on the community.
- 2) characteristics of the travelers
  - Where they come from
  - Type of accommodation(s) used
  - Length of stay
  - Purpose of trip
  - Number in party
  - A variety of other information which may be useful in promotion campaigns and basic analyses

these areas are  
still not very  
accessible



Controlled accessibility provides a mix of development and natural resources.



## Other Information Required

It is also necessary to have an accurate picture of the background of travel information mail inquiries. Did the prospective tourist make the trip after receiving information in the form of folders and/or brochures? If he didn't make the trip to your community, did he decide to go someplace else, and if so, why? Was the information provided adequate?

## Promotion Committee

The major responsibilities of this committee are preparing the annual advertising and sales promotion budget, planning and programming sales, carrying out the marketing plan, and evaluating marketing success.

Directions for work by this committee could be provided by the Research and Development Committee. For maximum effectiveness, promotion must be guided by the findings of organized research. Otherwise, it is just "hit or miss" in nature and largely ineffective.

## Education Committee

Education and training programs are essential for developing managerial and supervisory talent in tourism industries. Many educational opportunities are available, but it takes initiative and organization to bring books, instructors, and learners together. Educational resources and opportunities in tourism are provided by the 1) Cooperative Extension Service of Michigan State University, 2) the Education Institute of the American Hotel and Motel Association, 3) community and junior colleges, and 4) 4-year colleges. The County Extension Director of the Cooperative Extension Service can easily contact these resources for you. He can also help plan educational meetings and courses, and arrange assistance from MSU specialists.

Responsibilities of the Education Committee:

- identify the industry's educational needs
- identify groups or levels of employees interested in such education
- provide educational assistance for new or prospective operators
- plan and offer educational programs
- develop a library of reference materials on hotel and motel, restaurant and general business management, tourism, planning and zoning.

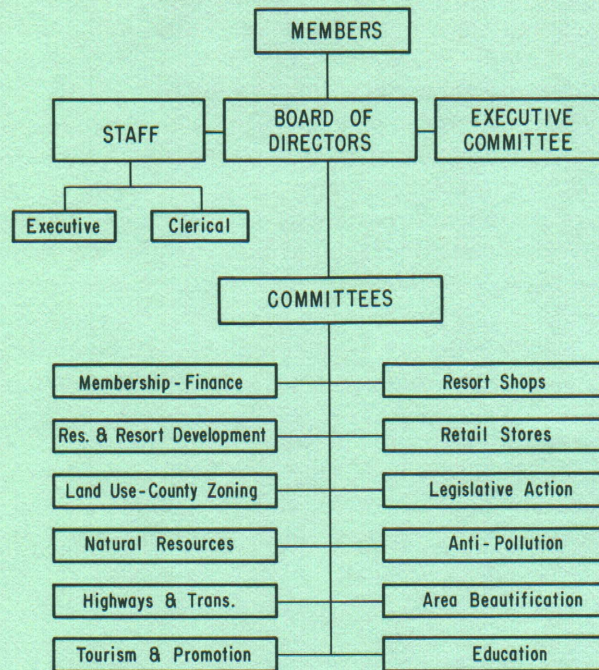


Figure 1. Chamber of Commerce organization in a resort area.

## Executive Committee

Creation of an executive committee is recommended to facilitate speedy decision-making when time is crucial. This committee would consist of a president, vice-president, and secretary-treasurer. Thus, fast action could be accomplished, giving the tourism organization flexibility and power to act advantageously.

## Organization Charts

An organization chart can be useful since it helps define at a glance the relationships within an organization.

Figures 1 and 2 show the typical flow of functions for a chamber of commerce and tourism organization.

## TOURIST HOSPITALITY

The success of any tourist destination area ultimately depends upon the degree of satisfaction derived by each visitor, which is largely determined by the hospitality of the area. A warm, genuine greeting and complete, competent attention will help assure the visitor's delight with the area and a desire to return.



## Reception Services

It is necessary to have a good method of receiving visitors and informing them of accommodations, sightseeing opportunities, etc. All tourists need some information to make their trip smooth and pleasant.

Often, the chamber of commerce office is located on the principal transportation artery into the community. It is necessary to have adequate sign displays to inform motorists of the chamber of commerce office. Essential information needed before establishing an information center:

- traffic survey to determine location
- adequate parking facilities
- service for other than auto traffic
- adequate signs — number and placement

### within the reception center:

- adequate counterspace
- rack displays of literature and storage space for literature
- kinds of promotional material to stock and its sources
- photos, maps, and posters
- current information poster
- hours and days open posted on door, and where to obtain information when closed
- free souvenirs (if feasible)
- refreshments (extra)
- washroom facilities (extra)
- staff requirements and training

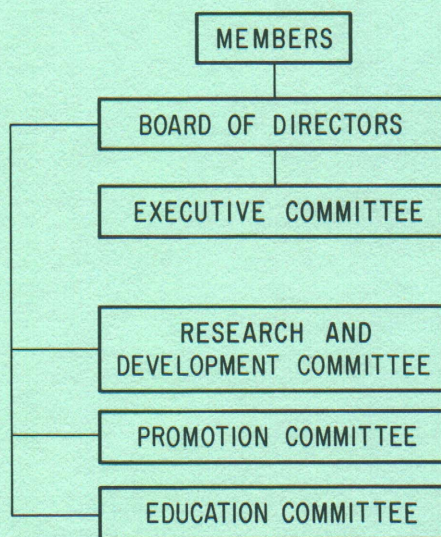


Figure 2. County-Area-City tourism organization.

## special services which should be provided:

- list of interpreters, languages, and contacts
- local homes for accommodation when commercial facilities are full
- list of persons with special interests (e.g., rock-hounds, botanists, guides, etc.) who will assist visitors
- tours to local points of interest, and how to contact
- list of families who would welcome visitors into their homes in the evening—“meet the Michiganders.” List should indicate language(s) spoken, occupation and hobby skills which they may have in common with visitors.
- list of emergency medical, dental and veterinary doctors

## Hospitality Schools

These schools can help tourist service personnel become more aware of the value and benefits of tourism. They can increase knowledge of local points of interest, improve ability to offer directions and provide better and more enthusiastic services. Such a program helps better satisfy the visitor, which often will induce him to stay longer, spend more money . . . and return.

Suggestions for planning and conducting such schools are found in the folder *Conducting a Tourist Hospitality School in Your Community*, Tourist and Resort Series R-102. This is available from your county office of the Cooperative Extension Service, or by writing the MSU Bulletin Office, P.O. Box 231, East Lansing, Michigan 48824.

## GETTING COMMUNITY SUPPORT

Start by conducting a vigorous public relations campaign about the benefits of tourism. Emphasize research on distribution of the tourist dollar and its multiplier effect. Always use accurate statistics—never use untrue or misleading propaganda. First try to achieve acceptance of the idea, then seek community support and participation.

Enlist cooperation of local and area newspapers, radio and television stations in all aspects of the tourism program. To insure adequate publicity and help build public relations, talk to newspaper people about the types of stories they prefer.

The following subjects might be used for a series of local newspaper articles, radio or television programs:

- value and importance of tourism to Michigan, your area and community
- descriptions, photos, and films of local and regional tourist attractions and their significance to tourism



- spring, summer, fall, and winter sports available
- employment opportunities in tourism
- accommodations available
- locally-made products of interest to tourists
- historical resources
- the importance of courtesy and hospitality to successful tourism
- natural resources for tourism — scenery, climate, forests, beaches, water, fish, game, birds, mushrooms, berries, rocks, etc.
- cultural and other resources for visitors enjoyment.

Seize every opportunity to discuss tourism with service clubs, women's groups and similar organ-

izations, explaining how citizens can help and participate. Similar efforts with schools can be useful, particularly in forming good attitudes among the youth.

### **Michigan Week**

Michigan Week in May provides an excellent platform for building good public relations and community support. "Hospitality Day" is set aside as a day to promote the concept of Michigan's friendly attitude toward visitors. Highlight the economic and social benefits of tourism on this day and express hospitality through a friendly greeting, welcome signs, or perhaps free Michigan fruit juice or punch.

*Drawings on pages 6, 7, 8 and 9 are from New York State Cooperative Extension Service publication: "Lake Residential Communities."*

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